

1968 ANNUAL REPORT

NORTHERN TRANSPORTATION
COMPANY LIMITED

Northern Transportation Company Limited

HEAD OFFICE: Suite 800, 151 Slater St., Ottawa 4, Canada
OPERATIONS OFFICE: 10040 - 105th Street, Edmonton, Alta.

DIRECTORS

W. J. Bennett	A. B. Caywood	C. S. Cosulich
W. M. Gilchrist	W. B. Hunter	P. L. P. Macdonnell
J. H. Parker		Murray Watts

OFFICERS

President: W. M. Gilchrist
General Manager: W. B. Hunter
Secretary: R. C. Powell Treasurer: J. C. Orr

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P71-1908

ML

The Honourable Jean Chrétien,
Minister of Indian Affairs and Northern Development,
Ottawa, Canada.

Sir,

On behalf of the Board of Directors, and in accordance with Section 85 (3) of the Financial Administration Act, I have the honour to submit the Annual Report of Northern Transportation Company Limited for the year ended December 31, 1968.

Total freight revenues for the year amounted to \$5,477,590, an increase of 34% over 1967 revenues, while total operating costs increased by 23.5%. Net profit before taxes was \$388,003, up from \$98,969 in 1967; and after providing for income tax of \$193,816, net profit transferred to surplus was \$194,187, compared with \$59,438 in 1967.

The tonnage handled increased by 24.5% to 206,970 tons, a percentage increase smaller than the percentage increase in freight revenues. The reason for this is that most of the increased tonnage was carried over the long routes to the Arctic coast and the north slope of Alaska. As a result, the ton-mile utilization of Arctic-based vessels was 93% greater than in 1967. The dramatic increase in freight handled in 1968 is evidence of the difficulty of accurately forecasting the needs of the areas served by your Company, as witness the estimate in the last Annual Report, when no significant change had been predicted for the coming year.

Sparked by the discovery of massive oil resources at Prudhoe Bay, the year under review witnessed a marked renewal and expansion of activity in oil exploration in the lower Mackenzie, the Arctic Islands, and the north slope of Alaska. It seems likely that the scope of such activity for 1969 and the foreseeable future will be of even greater

President's Letter

dimension. In order to handle the consequent growth of traffic, the Company is now expanding its marine equipment capacity. Three new 4000-hp tugs, designed for river and Arctic operations, and 24 sea-going barges, each of 1000-ton capacity, have been ordered, at a total cost of approximately \$11.5 million. Delivery of this equipment will be made during 1969, although not all will be available for the entire navigation season. Also, the capacity of the M.V. "Frank Broderick", the Company's Arctic cargo vessel, will be increased by the addition of a 60-ft. section amidships.

Fortunately, the Company undertook some three years ago a program of upgrading its shore and agency facilities, and is now in a good position in this respect to handle increased traffic.

During the year, the number of Directors on the Board was increased from six to eight. Mr. H. E. Lake resigned as a director and vice-president, and Mr. Cecil Cosulich, Mr. John Parker and Mr. Murray Watts joined the Board.

The Directors wish to record with gratitude the continuing loyalty and efforts of all employees.

For the Directors,

W. M. Finkelstein

President

Ottawa, Canada

February 26th, 1969

General Report

In 1968, freight carried amounted to 206,970 tons, an increase of 24.5% over the previous year's 166,214 tons. Gross freight earnings, however, increased by 34%, from \$4,072,919 to \$5,477,590. The increase in revenue was due to the increased tonnage handled, particularly oil exploration equipment along the Mackenzie and the Arctic Coast. Traffic handled to the Lake Athabasca area also showed an increase.

Operating costs, including depreciation, increased from \$4,002,000 to \$4,940,000 or 23.5%. Net income from operations was \$537,937, compared with \$71,052 in 1967; adding investment and sundry income of \$48,064 and deducting loss on disposal of capital assets, the net profit for the year, before income tax, amounted to \$388,003. After-tax profit was \$194,187 compared to \$59,438 in 1967.

Adverse water levels were encountered on the Mackenzie River in the latter part of August, and this condition continued to impede operations through to the end of the season, and resulted in some considerable damage to floating equipment, which will necessitate a more extensive repair program in the spring of 1969 than is usually the case. However, favourable autumn weather helped to compensate for the delays occasioned by the lighter loads made necessary by the low water, and all freight was successfully delivered.

The Western Arctic operation saw the best ice conditions ever encountered in the Company's history, particularly as compared with the 1967 season when conditions were very difficult. Despite late season increases in tonnages, all freight committed for the Arctic was successfully delivered. Dew line re-supply operation was normal.

Capital expenditures during 1968 amounted to \$1,678,000, including \$881,700 as progress payments on two new tugs now under construction, \$105,400 for the re-powering of two tugs, \$185,000 for a 60-ft cargo section in the Arctic vessel M.V. "Frank Broderick", and \$342,000 for land-based installations.

When it became apparent in mid-1968 that the success of oil exploration in the Arctic and lower Mackenzie would increase the traffic to these areas in 1969 and subsequent years, the Company immediately embarked upon a program of capital expansion to meet this demand. Contracts have been placed for three new 4,000 h.p. ocean-going tugs, and 24 new 1000-ton capacity barges. These vessels will represent a total outlay of \$11,328,000.

Other capital expenditures planned for 1969 will have a value of approximately \$1,700,000, including the development of additional storage and docking areas at the Company's Hay River base.

At the peak of the 1968 season, the work force numbered 513 of whom 149 were residents of the areas served by the Company. Wages and salaries, including the Arctic operation, totalled \$2,396,921 and Company contributions to the Pension and Welfare plans amounted to \$132,518.



NORTHERN TRANSPORTATION COMPANY LIMITED

and subsidiary companies

Consolidated Statement of Income and Expense

for the year ended December 31, 1968
(with comparative figures for the year ended December 31, 1967)

Income:	1968	1967
Freight earnings	\$ 5,477,590	\$ 4,072,919
Expense:		
Operation and maintenance:		
Salaries and wages	1,894,233	1,494,566
Repairs and maintenance	889,668	584,061
Depreciation	888,899	872,376
Fuels and lubricants	306,554	245,492
Messing	135,485	112,733
Transportation of employees	56,864	43,542
Pallets	52,569	40,452
Insurance	45,816	46,062
Grants in lieu of municipal taxes	35,833	33,297
Truck and tractor maintenance	34,501	23,228
Wharfage, demurrage and railway spur	27,572	23,030
Miscellaneous	50,250	77,732
	<u>4,418,244</u>	<u>3,596,571</u>
Administration:		
Executive officers' salaries	56,364	48,331
Other salaries	112,377	102,559
Employee benefits	132,518	93,392
Head office	92,000	42,000
Advertising and public relations	21,383	21,521
Provision for doubtful accounts	17,544	15,536
Telephone and telegraph	16,852	12,855
Business tax	15,834	16,130
Stationery and office supplies	14,939	11,671
Depreciation	10,720	11,403
Travel	9,893	9,471
Miscellaneous	20,985	20,427
	<u>521,409</u>	<u>405,296</u>
	<u>4,939,653</u>	<u>4,001,867</u>
Net income from operations	<u>537,937</u>	<u>71,052</u>
Interest on investments	48,064	26,278
	<u>586,001</u>	<u>97,330</u>
Loss on disposal of capital assets (Note 4)	197,998	(1,639)
	<u>388,003</u>	<u>98,969</u>
Provision for income tax (Note 3)	193,816	39,531
Net Income	<u>\$ 194,187</u>	<u>\$ 59,438</u>

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Surplus

for the year ended December 31, 1968
(with comparative figures for the year ended December 31, 1967)

	1968	1967
Balance at January 1	\$ 6,910,808	\$ 6,851,370
Net income for year	194,187	59,438
Balance at December 31	<u>\$ 7,104,995</u>	<u>\$ 6,910,808</u>

The accompanying notes are an integral part of the financial statements.

NORTHERN TRANSPORTATION

and subsidiaries
(Incorporated under the laws of the State of New York)

Consolidated Balance Sheet

at December 31, 1968
(with comparative figures for 1967)

ASSETS		1968	1967
Current Assets:			
Cash		\$ 283,013	\$ 165,982
Short-term bank deposits		—	600,000
Accounts receivable		885,488	561,022
Operating and general supplies, at cost		441,353	495,608
Prepaid expenses		330	9,454
		<u>1,610,184</u>	<u>1,832,066</u>
Short-term Deposits held for			
Insurance Investment Fund		<u>500,000</u>	<u>500,000</u>
Capital Assets, at cost: (Note 2)			
Land		116,721	105,361
Buildings, including equipment		5,751,437	5,443,278
Boats and barges, including equipment		15,583,876	14,652,530
Automotive equipment		1,532,087	1,474,957
Other		145,815	139,199
		<u>23,129,936</u>	<u>21,815,325</u>
Less: Accumulated depreciation		<u>16,690,287</u>	<u>15,945,962</u>
		<u>6,439,649</u>	<u>5,869,363</u>
		<u>\$ 8,549,833</u>	<u>\$ 8,201,429</u>

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board

C. S. COSULICH, *Director*

MURRAY WATTS, *Director*

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ry companies

(Canada Corporations Act)

Balance Sheet

ber 31, 1968

es at December 31, 1967)

LIABILITIES

	1968	1967
Current Liabilities:		
Accounts payable	\$ 428,738	\$ 291,840
Income tax payable	154,682	21,240
	<u>583,420</u>	<u>313,080</u>
Deferred Income Tax (Note 3)	<u>209,418</u>	<u>325,541</u>
Capital:		
Capital Stock:		
Authorized — 50,000 shares of no par value		
Issued — 1,520 shares, fully paid	152,000	152,000
Reserve for insurance	500,000	500,000
Surplus	7,104,995	6,910,808
	<u>7,756,995</u>	<u>7,562,808</u>
	<u>\$ 8,549,833</u>	<u>\$ 8,201,429</u>

I have examined the above Consolidated Balance Sheet and the related Consolidated Statement of Income and Expense and have reported thereon under date of February 26, 1969 to the Minister of Indian Affairs and Northern Development.

A. M. HENDERSON,
Auditor General of Canada

NORTHERN TRANSPORTATION COMPANY LIMITED
and subsidiary companies

Notes to Financial Statements

1. Subsidiary Companies

The wholly-owned subsidiary companies, Arctic Shipping Limited, Decury Supply Limited and Yellowknife Transportation Company Limited have ceased to operate. Their assets have been taken over and their liabilities assumed by Northern Transportation Company Limited.

2. Capital Assets

At December 31, 1964 the boats and barges of the wholly-owned subsidiaries, having a net book value of \$939,090, were appraised by Boyd, Phillips & Company Limited, surveyors and appraisers, Vancouver, B.C., at \$3,486,800. Since the purchase price of the capital stock exceeded the aggregate net assets of the subsidiaries by \$937,118 at date of acquisition, the book value of the boats and barges has been increased by this amount.

3. Deferred Income Tax

The Company records depreciation based on the expected useful life of its capital assets but claims maximum capital cost allowance permitted under the Income Tax Act in calculating its taxable income. The Deferred Income Tax account is credited with the income tax payable on the excess of capital cost allowance over depreciation and is charged when the converse prevails. In 1968 the account was charged with \$116,123.

4. Loss on Disposal of Capital Assets

Assets, at a book value of \$200,084, acquired from the wholly-owned subsidiary companies in 1965, were declared unseaworthy, economically unrepairable and were scrapped. The proceeds of sale of other, fully depreciated, assets amounted to \$2,086.

5 Remuneration of Directors

Total remuneration of directors as directors, officers or employees of the Company for the year was \$33,567.

AUDITOR GENERAL OF CANADA

Ottawa, February 26, 1969.

The Honourable Jean Chrétien,
Minister of Indian Affairs and
Northern Development,
Ottawa.

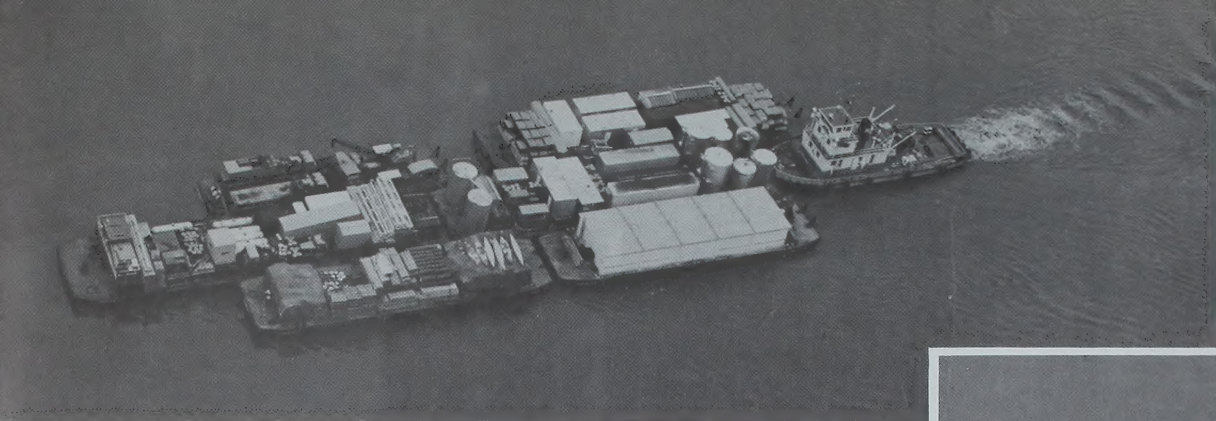
Sir,

I have examined the accounts and financial statements of Northern Transportation Company Limited and its subsidiary companies for the year ended December 31, 1968. In compliance with the requirements of section 87 of the Financial Administration Act, I report that, in my opinion:

- (a) proper books of account have been kept by the Company and its subsidiaries;
- (b) the financial statements of the Company and its subsidiaries
 - (i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - (ii) in the case of the balance sheet, give a true and fair view of the state of the affairs of the Company and its subsidiaries as at the end of the financial year, and
 - (iii) in the case of the statement of income and expense, give a true and fair view of the income and expense of the Company and its subsidiaries for the financial year; and
- (c) the transactions of the Company and its subsidiaries that have come under my notice have been within the powers of the Company and its subsidiaries under the Financial Administration Act and any other Act applicable to the Company and its subsidiaries.

Yours faithfully

A. M. HENDERSON,
Auditor General of Canada.



*Drilling rig near mouth of
Mackenzie River, N.W.T.*

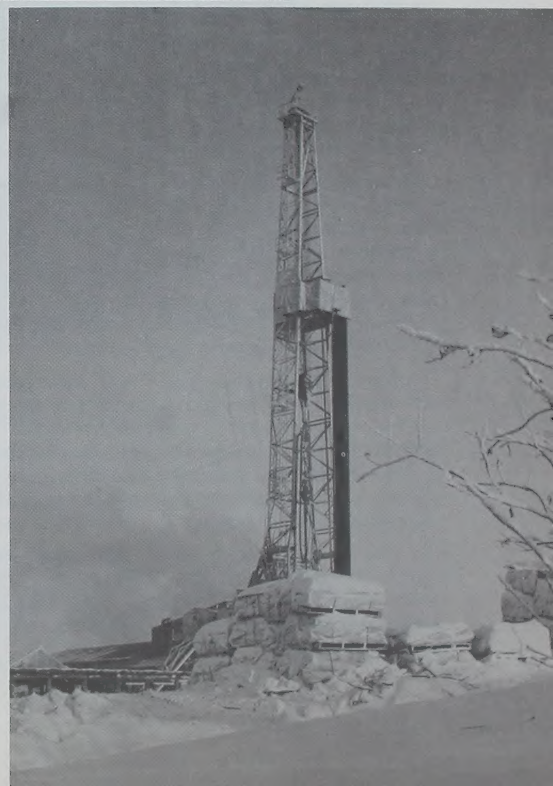
N.T.C.L. barge assembly moving oil drilling equipment down Mackenzie River.

Courtesy National Film Board



The community of Cambridge Bay

Courtesy National Film Board



The History of Northern Transportation Company Limited

Transportation by water always has been a key factor in the development of the Canadian Far North. For many years canoes, rafts and bateaux served the needs of the native populations, the explorers, the traders, trappers and prospectors, who plied the lakes and rivers of the Northwest Territories. The kayaks of the Eskimo were the only craft on the Western Arctic.

In 1931 two Edmonton businessmen, C. Becker and C. Murdoff, began to provide service as a common carrier on the Mackenzie River between Waterways, Alberta, and Aklavik, N.W.T. Their enterprise bore the name Northern Waterways Limited and made a modest beginning with one wooden vessel and two barges. In 1933 the service was extended into Bear River and Great Bear Lake to meet the needs of the Eldorado Mine at Port Radium.

The company changed hands in 1934 and the name was altered to Northern Transportation Company Limited. Eldorado Gold Mines Limited acquired the company in 1936, primarily to assure continuing and adequate service to its mine, but operation as a common carrier was maintained and the fleet was enlarged and modernized. Northern Transportation Company Limited became a Crown corporation after its parent, Eldorado Mining and Refining Limited (now Eldorado Nuclear Limited), was expropriated by the Government of Canada.

Initiation of the Canol Project in 1941, and re-opening of the Port Radium mine in 1942, brought all Northern Transportation Company equipment into service for the duration of World War II. When the Canol Project was abandoned in 1944, the Company contracted to bring out 25,000 tons of equipment and materials. When this major task was complete, the Company carried on as a carrier of a growing volume of commercial freight.

In 1946 all transportation on the Mackenzie system was brought under regulations of the Board of Transport Commissioners. When Hudson's Bay Transport discontinued operation as a common carrier in 1947, Northern Transportation Company added vessels to handle the additional freight.

The Company extended its operations into the Western Arctic for the first time in 1949, when it was requested by the R.C.A.F. to operate the supply ship "Snowbird" between Tuktoyaktuk and Cambridge Bay. Subsequently, the "Radium Dew" and three steel barges were built for delivery of construction materials and equipment for six DEW Line installations in the Mackenzie Delta, beginning in 1955. Three years later the Company began re-supply of 25 DEW Line sites along the Arctic Coast, operating LST's and tankers made available under a loan agreement between the United States and Canadian governments.



Courtesy National Film Board

DEW Line station, Cambridge Bay



The community of Inuvik

Courtesy National Film Board

When uranium mines around Lake Athabasca were coming into the development and production stage in 1956, Northern Transportation Company built three new vessels and 27 steel barges to take care of the heavy increase in freight. Some of this equipment went into moth-balls in 1960, when five mines in the Beaverlodge area, as well as the Port Radium mine, ceased operations.

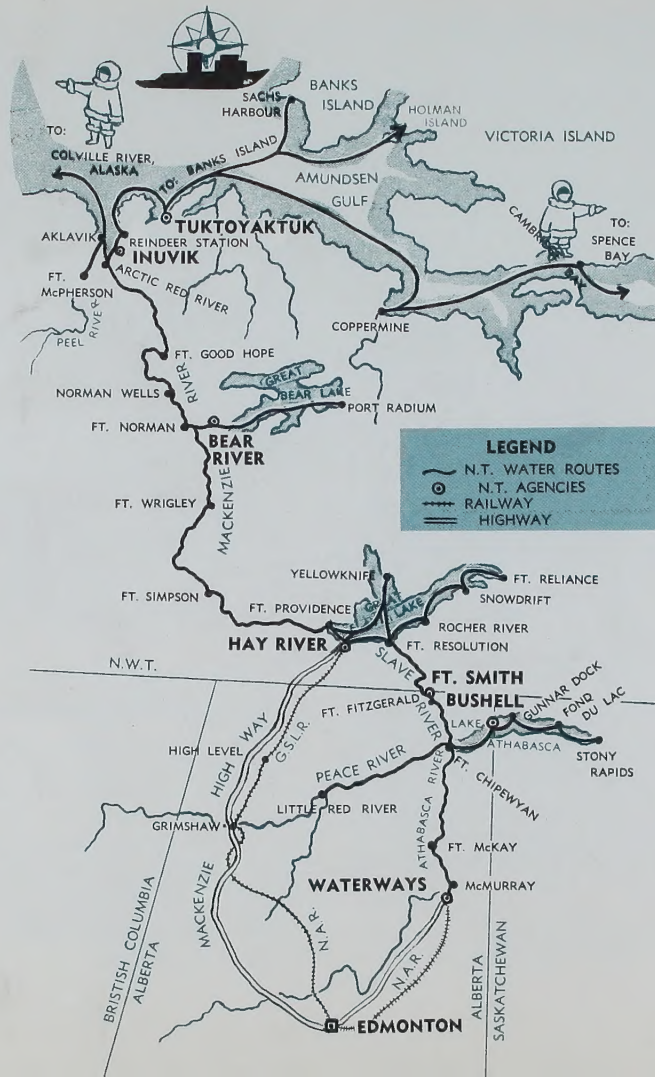
In 1963, at the request of the Hudson's Bay Company, Northern Transportation Company took over the Arctic freight service provided by that organization, and acquired the motor vessel "Banksland." The following year a shipyard at Esquimalt, B.C., began construction of the motor vessel "Frank Broderick," which began plying out of her

home base, Tuktoyaktuk, in July, 1965.

Early in 1965 the Company acquired Yellowknife Transportation Company Limited, Arctic Shipping Limited, and Decury Supply Limited, which had carried on somewhat parallel shipping services which are now integrated with those of Northern Transportation Company. The fleet now comprises 24 tugs, all equipped with two-way radio, radar, and echo-sounders; 134 all-steel barges of various sizes and types, including some refrigerated units; and the two vessels in the Arctic. The shipping season on the Mackenzie system normally runs from May to October, but Arctic operations usually are limited to August and September.

NORTHERN Transportation Company Limited

*Symbol of Service
in the Canadian North*



*The Mackenzie
Route to the
Western Arctic*

*A 4,000-mile System
Embracing
the Mackenzie Basin,
and the Western Arctic
from Boothia Peninsula
to the Colville River*